

**WATER/ABJ/HJL:jlj****PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****WATER DIVISION****RESOLUTION NO. W-4410****August 21, 2003****RESOLUTION**

**(RES. W-4410), ALISAL WATER CORPORATION (ALCO), SALINAS DISTRICT. ORDER AUTHORIZING A SURCHARGE TO RECOVER THE COST TO DRILL AND DESTROY TEST HOLES FOR A NEW WELL PRODUCING A ONE-TIME INCREASE IN ANNUAL REVENUE FOR THE SALINAS DISTRICT OF \$94,091 OR 2.57%.**

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**SUMMARY**

By Advice Letter No. 92, filed on April 17, 2003, ALCO, Salinas District seeks to add a surcharge of \$3.85 per customer per month for a period of three months to its Schedule No. 1, General Metered Service, to provide for an increase in revenues of \$94,091 or 2.57%. The increase requested is to recover the cost to drill and destroy test holes for the construction of a new well, needed to replace an existing well, which had to be destroyed due to high levels of nitrates. This increase will not result in a rate of return greater than that last authorized for ALCO's Salinas District.

**BACKGROUND**

ALCO, a Class B utility, provides water service to 8,214 customers in its Salinas District located in Monterey County. ALCO requests authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to recover \$94,091, via surcharge over a period of three months, to offset costs to drill and destroy test holes incurred in year 2002, necessary to replace an existing well, which had to be abandoned due to high levels of nitrates. ALCO's Salinas District present rates became effective on March 24, 2003, pursuant to Res. No. W-4377, which granted a rate increase to offset receivership costs for ALCO's small systems. ALCO's last general rate increase was granted pursuant to Res. No. W-3908 dated February 8, 1995.

## **DISCUSSION**

During September of 2001, water-testing results in the San Jerardo area of ALCO, which is part of its Salinas District, reported high levels of nitrate. After additional testing and retesting of the well, the level of nitrate did not decrease. The State of California Department of Health Services (DHS) has determined that nitrate poses an acute health concern at certain levels of exposure. Nitrate is used in certain agricultural activities and generally gets into drinking water from these activities. Excessive levels of nitrate in drinking water have caused serious illness and sometimes death in infants under six months of age. Due to these health risks, DHS has set the drinking water standard at 45 parts per million to protect against the risk of these adverse effects.

After it was confirmed that the nitrate level exceeded 45 parts per million and was not decreasing, ALCO notified its customers not to use the water for drinking and cooking purposes. To provide safe and potable water to its customers, ALCO began providing bottled water to all San Jerardo system customers. In the meantime, in order for ALCO to find a new water supply that meets DHS standards, it contacted the San Jerardo cooperative management to obtain wellsites to drill new sources of supply. San Jerardo is a cooperative located outside the Salinas City limits whose owners own most of the land.

Test holes were drilled in two different wellsites called Well #4 and Well #5. Well #4 did not have nitrate in it, but the production was only 4 to 6 gallons per minute (gpm), which is an insufficient amount of water for it to be turned into a viable source of supply. Well #5 produced more water, but unfortunately had an elevated level of nitrate and it also could not be used as a viable source of supply. Since the wells were not viable sources of supply for the San Jerardo system, they both had to be destroyed in accordance with Monterey County regulations.

The drilling of the test holes, and the subsequent necessary destruction of the test holes, was a prudent decision in the effort to provide a safe and reliable source of water supply for the customers of the San Jerardo area. Total cost to drill and destroy the test holes for Wells 4 and 5 amounted to \$94,091 and has been recorded as a deferred asset in ALCO's 2002 annual report.

Service is satisfactory. There are no Commission orders requiring system improvements nor are there any service problems requiring corrective action.

**NOTICE AND PROTESTS**

Notice of the proposed rate increase was published in The Californian, a newspaper of general circulation, on April 28, 2003, as evidenced by proof of publication provided to the Water Division by the utility. There were no protests concerning the proposed offset increase.

**FINDINGS**

1. ALCO filed Advice Letter No. 92 to seek a surcharge to recover costs to drill and destroy test holes needed to replace an existing well in its San Jerardo area, which had to be abandoned due to high levels of nitrate.
2. The Department of Health Services, California Code of Regulations, Title 22, Section 64431 sets the Maximum Contaminant Level for nitrates at 45 mg/l.
3. The California Department of Health Services has determined that nitrate poses an acute health concern at certain levels of exposure. Excessive levels of nitrate in drinking water have caused serious illness and sometimes death in infants under six months of age.
4. ALCO's decision to drill test holes for a new well to replace an existing well with high level of nitrate, was a prudent decision, in an effort to continue providing a safe and reliable water service to its San Jerardo customers.
5. The Commission finds, after investigation by the Water Division, that the request is justified, and the resulting rate is just and reasonable.

**THEREFORE IT IS ORDERED that:**

1. Alisal Water Corporation, Salinas District, is authorized, five days after the effective date herein, to make effective revised Schedule 1, General Metered Service, attached to Advice Letter 92, and to cancel the corresponding presently effective rate schedule.

2. This resolution is effective today.

I hereby certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 21, 2003; the following Commissioners approved it:

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WILLIAM AHERN  
Executive Director